

DE News

May 9, 2002 - Iowa Department of Education - Ted Stilwill, Director

By now you are painfully aware that our state -- along with most other states in the country -- continues to have budget challenges for both Fiscal 02 (our current budget year) and Fiscal 03 (the budget year that begins July 1). The result for us means another serious warning about financial stability as well as a likely Special Session of our legislature to develop solutions for what remains of the current fiscal year and next year as well.

Current forecasts

Because Iowa has had to pay out significantly higher state tax refunds at the same time we continue to see reduced income, the current forecast for Fiscal 02 predicts at least a \$200 million deficit. The forecast for Fiscal 03 also predicts at the very least a \$200 million deficit. Please note that these forecasts could worsen in the next several weeks given the volatility of our economics. I also need to let you know that I believe that this latest shortfall would have been very difficult to anticipate. When I talk with my colleagues in other states, they refer to the most recent shortfall as the "May Surprise," and it seems to be emerging a little more quickly in states that might be more advanced in electronic tax filing and refunding.

Solutions are uncertain

Governor Vilsack does not have sole authority to resolve the Fiscal 02 deficit; legislators will need to return to Des Moines to examine the various funds to see if or what transfers can be made and how much is available from our Rainy Day Fund and other funds as well. Though there has been much speculation about what action they may take -- including the delay of state aid to schools and community colleges -- no decisions have been made. We do know that state leaders and lawmakers continue to regard education as the state's highest priority. There seems to be a real unwillingness to move toward any across-the-board action or delay of payments.

Today, of course, there is no final answer on the level of funding that will be provided to school districts and to community colleges. It goes without saying -- but I will say it anyway -- that we are all well advised to be extremely conservative in expenditures and in budgeting.

It has been difficult to provide you any regular information about the status of these financial decisions because each new development seems to increase the ambiguity. I think that will begin to change and we will be able to give you a clearer picture as soon as it emerges. In the meantime, thanks for continuing to make tough decisions in helping those in your organizations and your communities come to grips with some very harsh realities.

Estimates of each school districts **State Early Intervention Class Size Allocations** for FY03 have been posted on the web at www.state.ia.us/educate/ecese/cs/state/index.html

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*Iowa Department of Education Mission:
"Helping communities meet the learning needs of all of their children and adults"*

DE News provides timely information about legislative and policy issues, grants and funding, trends in education, and other items of immediate interest to Iowa educators and policymakers. Contact: Kathi Slaughter, Iowa Department of Education, 515/281-5651 or kathi.slaughter@ed.state.ia.us